

Message Text

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PAGE 01 STATE 226037
ORIGIN OPIC-06

INFO OCT-01 AF-10 ISO-00 EB-08 AID-05 TRSE-00 COME-00
AGRE-00 /030 R

DRAFTED BY OPIC/F FRHILL
APPROVED BY AF/C:RIMARCUS
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-----126414 062245Z /15

O 062139Z SEP 78
FM SECSTATE WASHDC
TO AMEMBASSY KIGALI IMMEDIATE

UNCLAS STATE 226037

FOR OPIC TDY OFFICERS TREADWELL, THOMPSON FROM HILL

E.O. 11652: N/A

TAGS: EINV

SUBJECT: RWANDA TEA PROJECT

REF: KIGALI 1488

1. RE PARA 3 REFTTEL HAVE ASSUMED IMMEDIATE PHASE II (24 TROUGH) EXPANSION REQD ASAP. QUESTION REMAINS HOW SOON PHASE III (32 TROUGH) EXPANSION REQD. AGREE ON-SITE VERIFICATION VARIOUS OPERATING CAPITAL ASSUMPTIONS NEEDED TO DEVELOP DEFINITIVE FINANCIAL PLAN. NEVERTHELESS CRUCIAL TO PIN DOWN, IN BROAD TERMS AT LEAST, LIMIT AND PARAMETER OF TERMS OF ROB, RCD AND OCIR PARTICIPATION.

2. DISCUSSED POTENTIAL ADDL EXPOSURE WITH WERTHEIM AND (AS PREVIOUSLY STATED) ADDED EQUITY NOT LIKELY UNLESS ABSOLUTE NECESSITY. HE WUD CONSIDER PARTIAL GTY OF OPIC/IFC LOANS IF FINDINGS CURRENT TRIP FULLY JUSTIFY IT BUT OBVIOUSLY UNCLASSIFIED

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NOT KEEN PARTICULARLY IF HE CONTINUES SUPPLY UP TO DLS 300,000 WORK CAP VIA L/C (AS HE FULLY PREPARED TO DO).
NOTE - THERE IS SOME CONFUSION ON HIS PART WHY CONTINUANCE WORK CAP SUPPORT INDEFINITELY NOT POSS. IN SUM WERTHEIM EQUITY VIRTUALLY OUT AND FURTHER GTY UNLIKELY BUT POSSIBLE. HOWEVER IN RESPONSE TO OBSERVATION THAT UNDER ANY CIRCUM-

STANCES POSTPONEMENT OF REPAYMENT OF STOCKHOLDERS'
DLS 140,000 SUB DEBT FOR AT LEAST TWO YEARS WUD BE REQD TO
PROVIDE ADDED CAPACITY TO SERVICE NEW SENIOR DEBT,
WERTHEIM READILY AGREED. QUERY - WILL OCIR AGREE TO SUCH
POSTPONEMENT, AN OBVIOUSLY PREFERABLE ALTERNATIVE TO
PERMANENT EQTY INJECTION. QUERY - WUD SUCH POSTPONEMENT
ASSUAGE APPARENT IFC THIRST FOR EQTY AS TEXTBOOK SOLUTION.

3. ALTHO NEW EQTY (WHICH CAN HAVE SERIOUS SIDE EFFECTS
AS WELL AS DIFFICULTY TIMEWISE IN AGREEMENT AND INJEC-
TION) AND DEBT GTY AND NICE COMFORT, DON'T LOSE SIGHT OF
BASICS. AS DISCUSSED THOMPSON PRIOR DEPARTURE, (1) EVEN
WITH EXTREME VARIANCES OPERATING COSTS, PROJECT MAY YIELD
EXTREMELY GOOD CASH FLOW; (2) ORIG DEBT SKED BASED ON MUCH
LOWER VOL WITH SAME FIXED COSTS; (3) ORIG PROJECTIONS
(AND APPARENTY CURRENT IFC HANGUP) BASED ON MUCH LOWER
ASSUMED TEA PRICES THAN CURRENT (AND RECENT YEARS) WORLD
MKT. PERHAPS FOCUS ON LATTER DURING EXTENDED PERIOD
WITH IFC REPS CAN CLARIFY THEIR APPROACH THIS CRUCIAL
ASSUMPTION/FIN PLAN INPUT. NOTE ON POINT TWO ABOVE -
ANOTHER WAY OF EXPRESSING CONCEPT IS COMPARISON ORIG DEBT/
ORIG VOL VERSUS REVISED DEBT/REVISED VOL.

4. FEEL FREE CALL HILL (HOME 202-965-4054) IF REQD.
PLEASED APPARENT PROGRESS AND COOPERATION. CHRISTOPHER

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